

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charter Township of Rutland
Barry County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Charter Township of Rutland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charter Township of Rutland, Michigan, as of December 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Charter Township of Rutland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charter Township of Rutland, Michigan, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on pages 20 - 24, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Charter Township of Rutland, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

March 16, 2006

BASIC FINANCIAL STATEMENTS

Charter Township of Rutland
STATEMENT OF NET ASSETS
December 31, 2005

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 615,554
Receivables, net	450,635
Prepaid expenses	<u>4,612</u>
Total current assets	<u>1,070,801</u>
Noncurrent assets:	
Receivables, net	17,892
Capital assets, net of accumulated depreciation	<u>361,776</u>
Total noncurrent assets	<u>379,668</u>
Total assets	<u>1,450,469</u>
LIABILITIES	
Current liabilities:	
Payables	77,011
Deferred revenue	<u>484,426</u>
Total current liabilities	<u>561,437</u>
NET ASSETS	
Invested in capital assets	361,776
Restricted:	
Public safety	149,509
Public works	48,156
Unrestricted	<u>329,591</u>
Total net assets	<u>\$ 889,032</u>

See notes to financial statements

Charter Township of Rutland
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

		<u>Program Revenues</u>		<u>Net (expenses)</u> <u>revenues and</u> <u>changes in</u> <u>net assets</u>
	<u>Expenses</u>	<u>Charges for</u> <u>services</u>	<u>Operating</u> <u>grants and</u> <u>contributions</u>	<u>Governmental</u> <u>activities</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 4,680	\$ -	\$ -	\$ (4,680)
General government	262,485	41,131	-	(221,354)
Public safety	174,921	34,904	-	(140,017)
Public works	111,141	72,150	3,699	(35,292)
Community and economic development	47,344	10,107	-	(37,237)
Culture and recreation	165,729	-	-	(165,729)
Total governmental activities	<u>\$ 766,300</u>	<u>\$ 158,292</u>	<u>\$ 3,699</u>	<u>(604,309)</u>
General revenues:				
				359,066
Taxes				247,450
State grants				1,886
Franchise fees				10,381
Investment income				755
Other				
Total general revenues				<u>619,538</u>
Change in net assets				15,229
Net assets - beginning				<u>873,803</u>
Net assets - ending				<u>\$ 889,032</u>

See notes to financial statements

Charter Township of Rutland
BALANCE SHEET - governmental funds
December 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Library</u>
ASSETS			
Cash	\$ 272,813	\$ 229,596	\$ 45,833
Receivables	181,266	81,694	130,407
Prepaid expenses	<u>4,612</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 458,691</u>	<u>\$ 311,290</u>	<u>\$ 176,240</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 5,387	\$ 71,624	\$ -
Deferred revenue	<u>125,816</u>	<u>110,400</u>	<u>176,240</u>
Total liabilities	131,203	182,024	176,240
Fund balances:			
Unreserved, undesignated	<u>327,488</u>	<u>129,266</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 458,691</u>	<u>\$ 311,290</u>	<u>\$ 176,240</u>

Fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Net assets of the Building Inspections Fund have been combined with those of *governmental activities*.

Net assets of *governmental activities*

<u>Algonquin Weed</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 29,154	\$ 18,925	\$ 596,321
40,179	33,971	467,517
-	-	4,612
<u>\$ 69,333</u>	<u>\$ 52,896</u>	<u>\$ 1,068,450</u>
\$ -	\$ -	\$ 77,011
59,970	37,267	509,693
59,970	37,267	586,704
9,363	15,629	481,746
<u>\$ 69,333</u>	<u>\$ 52,896</u>	<u>\$ 1,068,450</u>
		\$ 481,746
		361,776
		25,267
		20,243
		<u>\$ 889,032</u>

See notes to financial statements

Charter Township of Rutland**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds**

Year ended December 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Library</u>
REVENUES			
Taxes	\$ 126,528	\$ 105,780	\$ 165,713
Licenses and permits	11,993	-	-
State grants	251,149	-	-
Charges for services	2,176	-	-
Fines and forfeitures	241	-	-
Interest	6,977	2,498	-
Other	491	-	-
Total revenues	<u>399,555</u>	<u>108,278</u>	<u>165,713</u>
EXPENDITURES			
Legislative	4,680	-	-
General government	249,042	-	-
Public safety	-	138,587	-
Public works	78,250	-	-
Community and economic development	47,344	-	-
Culture and recreation	-	-	165,729
Capital outlay	505	-	-
Total expenditures	<u>379,821</u>	<u>138,587</u>	<u>165,729</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>19,734</u>	<u>(30,309)</u>	<u>(16)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	17,892	-	-
Transfers out	-	-	-
Total other sources (uses)	<u>17,892</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>37,626</u>	<u>(30,309)</u>	<u>(16)</u>
FUND BALANCES - BEGINNING	<u>289,862</u>	<u>159,575</u>	<u>16</u>
FUND BALANCES - ENDING	<u>\$ 327,488</u>	<u>\$ 129,266</u>	<u>\$ -</u>

Net change in fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$(26,181) exceeded depreciation \$(13,954) in the current period.

Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred special assessment revenues decreased by this amount in the current period.

Change in net assets of the Building Inspections Fund have been combined with those of the *governmental activities*.

Change in net assets of *governmental activities*

<i>Algonquin Weed</i>	<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ -	\$ 398,021
-	-	11,993
-	-	251,149
-	-	2,176
-	-	241
-	906	10,381
<u>59,770</u>	<u>22,565</u>	<u>82,826</u>
<u>59,770</u>	<u>23,471</u>	<u>756,787</u>
-	-	4,680
-	-	249,042
-	-	138,587
52,714	5,342	136,306
-	-	47,344
-	-	165,729
-	-	505
<u>52,714</u>	<u>5,342</u>	<u>742,193</u>
<u>7,056</u>	<u>18,129</u>	<u>14,594</u>
-	-	17,892
-	(17,892)	(17,892)
-	(17,892)	-
7,056	237	14,594
<u>2,307</u>	<u>15,392</u>	<u>467,152</u>
<u>\$ 9,363</u>	<u>\$ 15,629</u>	<u>\$ 481,746</u>
		\$ 14,594
		12,227
		(9,921)
		<u>(1,671)</u>
		<u>\$ 15,229</u>

See notes to financial statements

Charter Township of Rutland
STATEMENT OF NET ASSETS - proprietary fund
December 31, 2005

	<u>Building Inspections</u>
ASSETS	
Cash	\$ 19,233
Receivables	<u>1,010</u>
 Total assets	 <u>20,243</u>
 NET ASSETS - unrestricted	 20,243
 Amounts reported for business-type activities in the government-wide statement of net assets (page 4) are different because:	
 Assets and liabilities of the Building Inspections Fund have been combined with those of <i>governmental activities</i> .	
	<u>(20,243)</u>
 Net assets of business-type activities	 <u>\$ -</u>

See notes to financial statements

Charter Township of Rutland

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
proprietary fund**

Year ended December 31, 2005

	<u>Building Inspections</u>
OPERATING REVENUES	
Charges for services - licenses and permits	\$ 34,663
OPERATING EXPENSES	
Salaries and fringe benefits	19,307
Contracted services	15,370
Office supplies and utilities	<u>1,657</u>
Total operating expenses	<u>36,334</u>
CHANGE IN NET ASSETS	(1,671)
NET ASSETS - BEGINNING	<u>21,914</u>
NET ASSETS - ENDING	<u>\$ 20,243</u>
CHANGE IN NET ASSETS	\$ (1,671)
Amounts reported for business-type activities in the government-wide statement of activities (page 5) are different because:	
Revenues and expenses of the Building Inspections Fund have been combined with those of the <i>governmental activities</i> .	<u>1,671</u>
Change in net assets of business-type activities	<u>\$ -</u>

See notes to financial statements

Charter Township of Rutland
STATEMENT OF CASH FLOWS - proprietary fund
Year ended December 31, 2005

	<u>Building Inspections</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 33,653
Payments for salaries and fringe benefits	(19,307)
Payments for goods and services	<u>(17,027)</u>
Net cash used in operating activities	(2,681)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Decrease in due from other funds	<u>21,914</u>
NET INCREASE IN CASH	19,233
CASH - BEGINNING	<u>-</u>
CASH - ENDING	<u><u>\$ 19,233</u></u>
Reconciliation of change in net assets to net cash used in operating activities:	
Change in net assets	\$ (1,671)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Increase in receivables	<u>(1,010)</u>
Net cash used in operating activities	<u><u>\$ (2,681)</u></u>

See notes to financial statements

Charter Township of Rutland
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
December 31, 2005

ASSETS

Cash	\$ 185,294
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LIABILITIES

Payables	\$ 185,294
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See notes to financial statements

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Rutland, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township's fire protection contract. Revenues are primarily derived from property taxes.

The Library Fund accounts for the Township's portion of the operational costs of Hastings Public Library. Revenues are primarily derived from property taxes.

The Algonquin Weed Fund accounts for costs associated with aquatic weed control. Revenues are primarily derived from special assessments.

The Township reports a single proprietary fund, Building Inspections Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Roads	10 - 30 years

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Special assessment recognition* - In governmental funds, special assessment revenue is recorded as deferred when initially assessed. Revenues are recognized to the extent that special assessments are collected. Interest income on special assessments receivable is not accrued until its due date.

viii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Road	Other financing uses	\$ -	\$ 17,892	\$ (17,892)

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 615,554	\$ 185,294	\$ 800,848

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2005, \$556,887 of the Township's bank balances of \$1,022,547 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property Taxes</u>	<u>Special assessments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental activities:					
General	\$ 1,911	\$ 96,098	\$ -	\$ 83,257	\$ 181,266
Fire	-	81,694	-	-	81,694
Library	-	130,407	-	-	130,407
Algonquin Weed	-	-	40,179	-	40,179
Nonmajor governmental	-	-	33,971	-	33,971
Totals	<u>\$ 1,911</u>	<u>\$ 308,199</u>	<u>\$ 74,150</u>	<u>\$ 83,257</u>	<u>\$ 467,517</u>
Business-type activities:					
Building Inspections	<u>\$ 1,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,010</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,892</u>	<u>\$ -</u>	<u>\$ 17,892</u>

NOTE 5 - PROPERTY TAXES:

The Township property taxes are levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - PROPERTY TAXES (Continued):

The 2005 taxable valuation of the Township totaled \$116,841,482, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.7720	Operating	\$ 90,267
Fire	0.9440	Operating	110,400
Library	1.5072	Operating	176,240

These amounts are recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 47,000	\$ -	\$ -	\$ 47,000
Capital assets being depreciated:				
Land improvements	15,201	-	-	15,201
Buildings	353,462	-	-	353,462
Equipment	60,881	911	-	61,792
Infrastructure	-	25,270	-	25,270
Subtotal	429,544	26,181	-	455,725
Less accumulated depreciation for:				
Land improvements	1,932	740	-	2,672
Buildings	77,967	8,856	-	86,823
Equipment	47,096	4,253	-	51,349
Infrastructure	-	105	-	105
Subtotal	126,995	13,954	-	140,949
Total capital assets being depreciated, net	302,549	12,227	-	314,776
Governmental activities capital assets, net	\$ 349,549	\$ 12,227	\$ -	\$ 361,776

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 13,849
Public works	<u>105</u>
Total	<u>\$ 13,954</u>

NOTE 7 - PAYABLES:

Payables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 5,387	\$ -	\$ 5,387
Fire	<u>-</u>	<u>71,624</u>	<u>71,624</u>
Total	<u>\$ 5,387</u>	<u>\$ 71,624</u>	<u>\$ 77,011</u>

NOTE 8 - DEFERRED REVENUE:

As of December 31, 2005, the various components of deferred revenue are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Special assessments</u>		<u>Total</u>
	<u>Unearned</u>	<u>Unearned</u>	<u>Unavailable</u>	
General	\$ 125,816	\$ -	\$ -	\$ 125,816
Fire	110,400	-	-	110,400
Library	176,240	-	-	176,240
Algonquin Weed	-	59,970	-	59,970
Other governmental	<u>-</u>	<u>12,000</u>	<u>25,267</u>	<u>37,267</u>
	<u>\$ 412,456</u>	<u>\$ 71,970</u>	<u>\$ 25,267</u>	<u>\$ 509,693</u>

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund transfers for the year ended December 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	<u>\$ 17,892</u>	Road	<u>\$ 17,892</u>

The transfer to the General Fund represents restricted revenues collected in the Road Fund to pay for operational costs of the public works functions accounted for in the General Fund.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all elected officials and hourly employees (over 30 hours per week). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 20% of each qualified employee's base salary to the plan. The eligible employees may make a voluntary, non-deductible contribution up to a maximum of 5% of their annual compensation. The Township's contributions are fully vested immediately. The Township and eligible employees made the required contributions of \$21,838 and \$5,444, respectively, for the year ended December 31, 2005.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 12 - JOINT VENTURE:

The Township, together with the Townships of Baltimore, Irving, Carlton, and Hastings, has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967, known as the BIRCH Fire Association (the Association). Membership does not convey an economic interest. The Association's agreement provides that the department's activities are financed as follows:

Each Township shall pay an amount equal to an agreed millage rate which shall be identical for all Townships. Once the millage has been determined, the amount of money representing the millage in each Township can be raised by any means available to each Township and does not have to be spread upon the tax roll as an assessment.

The Township contributed \$138,587 to the Association as its share of expense during 2005.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2005 that resulted in net asset restatements. Fund equity as of January 1, 2005, included in the government-wide financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Net assets</u>
Governmental activities:	
Beginning of year, as previously reported	\$ 838,615
Prior period adjustment - overstatement of deferred revenue	<u>35,188</u>
Beginning of year, as restated	<u>\$ 873,803</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Rutland
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 116,104	\$ 116,104	\$ 126,528	\$ 10,424
Licenses and permits	8,500	8,500	11,993	3,493
State grants	248,450	248,450	251,149	2,699
Charges for services	5,500	5,500	2,176	(3,324)
Fines and forfeitures	200	200	241	41
Interest	9,000	9,000	6,977	(2,023)
Other	1,900	1,900	491	(1,409)
Total revenues	<u>389,654</u>	<u>389,654</u>	<u>399,555</u>	<u>9,901</u>
EXPENDITURES				
Legislative	<u>6,000</u>	<u>6,000</u>	<u>4,680</u>	<u>1,320</u>
General government:				
Supervisor	28,900	29,900	29,601	299
Election	5,300	5,300	1,131	4,169
Assessor	42,450	42,450	44,311	(1,861)
Clerk	49,350	50,150	50,092	58
Board of review	1,500	1,500	948	552
Treasurer	32,000	32,000	31,212	788
Hall and grounds	18,300	18,300	14,922	3,378
Cemetery	12,900	12,900	10,212	2,688
Other	85,700	89,700	66,613	23,087
Total general government	<u>276,400</u>	<u>282,200</u>	<u>249,042</u>	<u>33,158</u>
Public works:				
Highways and streets	150,000	150,000	77,785	72,215
Street lights	500	500	465	35
Total public works	<u>150,500</u>	<u>150,500</u>	<u>78,250</u>	<u>72,250</u>
Community and economic development - planning and zoning	<u>44,660</u>	<u>55,960</u>	<u>47,344</u>	<u>8,616</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>505</u>	<u>495</u>
Total expenditures	<u>478,560</u>	<u>495,660</u>	<u>379,821</u>	<u>115,839</u>

Charter Township of Rutland
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (88,906)	\$ (106,006)	\$ 19,734	\$ 125,740
OTHER FINANCING SOURCES				
Operating transfer in - Road Fund	<u>-</u>	<u>-</u>	<u>17,892</u>	<u>17,892</u>
NET CHANGE IN FUND BALANCES	(88,906)	(106,006)	37,626	143,632
FUND BALANCES - BEGINNING	<u>289,862</u>	<u>289,862</u>	<u>289,862</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 200,956</u>	<u>\$ 183,856</u>	<u>\$ 327,488</u>	<u>\$ 143,632</u>

Charter Township of Rutland
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 105,727	\$ 105,727	\$ 105,780	\$ 53
Interest	-	-	2,498	2,498
Total revenues	105,727	105,727	108,278	2,551
EXPENDITURES				
Public safety	138,687	138,687	138,587	100
NET CHANGE IN FUND BALANCES	(32,960)	(32,960)	(30,309)	2,651
FUND BALANCES - BEGINNING	159,575	159,575	159,575	-
FUND BALANCES - ENDING	<u>\$ 126,615</u>	<u>\$ 126,615</u>	<u>\$ 129,266</u>	<u>\$ 2,651</u>

Charter Township of Rutland
BUDGETARY COMPARISON SCHEDULE - Library Fund
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 165,500	\$ 165,500	\$ 165,713	\$ 213
EXPENDITURES				
Culture and recreation	<u>165,500</u>	<u>165,500</u>	<u>165,729</u>	<u>(229)</u>
NET CHANGE IN FUND BALANCES	-	-	(16)	(16)
FUND BALANCES - BEGINNING	<u>16</u>	<u>16</u>	<u>16</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 16</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ (16)</u>

Charter Township of Rutland
BUDGETARY COMPARISON SCHEDULE - Algonquin Weed Fund
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Other - assessments	\$ 59,700	\$ 59,700	\$ 59,770	\$ 70
EXPENDITURES				
Public works	<u>59,700</u>	<u>59,700</u>	<u>52,714</u>	<u>6,986</u>
NET CHANGE IN FUND BALANCES	-	-	7,056	7,056
FUND BALANCES - BEGINNING	<u>2,307</u>	<u>2,307</u>	<u>2,307</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,307</u>	<u>\$ 2,307</u>	<u>\$ 9,363</u>	<u>\$ 7,056</u>

SUPPLEMENTARY INFORMATION

Charter Township of Rutland
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2005

Special revenue funds			
	Road	Revolving Improvement	Sewer
ASSETS			
Cash	\$ 1,571	\$ 2,103	\$ 2,903
Receivables	<u>25,267</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 26,838</u>	<u>\$ 2,103</u>	<u>\$ 2,903</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deferred revenue	\$ 25,267	\$ -	\$ -
Fund balance:			
Unreserved, undesignated	<u>1,571</u>	<u>2,103</u>	<u>2,903</u>
Total liabilities and fund balance	<u>\$ 26,838</u>	<u>\$ 2,103</u>	<u>\$ 2,903</u>

Special revenue funds

<i>Street Lighting</i>	<i>Podunk Weed</i>	<i>Total</i>
\$ 1,289	\$ 11,059	\$ 18,925
<u>-</u>	<u>8,704</u>	<u>33,971</u>
<u>\$ 1,289</u>	<u>\$ 19,763</u>	<u>\$ 52,896</u>
\$ -	\$ 12,000	\$ 37,267
<u>1,289</u>	<u>7,763</u>	<u>15,629</u>
<u>\$ 1,289</u>	<u>\$ 19,763</u>	<u>\$ 52,896</u>

Charter Township of Rutland**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2005

	Special revenue funds		
	Road	Revolving Improvement	Sewer
REVENUES			
Interest	\$ -	\$ 263	\$ 643
Other	9,921	194	-
Total revenues	9,921	457	643
EXPENDITURES			
Public works	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,921	457	643
OTHER FINANCING USES			
Operating transfer out	(17,892)	-	-
NET CHANGE IN FUND BALANCES	(7,971)	457	643
FUND BALANCES - BEGINNING	9,542	1,646	2,260
FUND BALANCES - ENDING	\$ 1,571	\$ 2,103	\$ 2,903

<i>Special revenue funds</i>		
<u>Street Lighting</u>	<u>Podunk Weed</u>	<u>Total</u>
\$ -	\$ -	\$ 906
-	12,450	22,565
-	12,450	23,471
655	4,687	5,342
(655)	7,763	18,129
-	-	(17,892)
(655)	7,763	237
1,944	-	15,392
<u>\$ 1,289</u>	<u>\$ 7,763</u>	<u>\$ 15,629</u>